

Message Text

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TO AMEMBASSY JAKARTA IMMEDIATE

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FOR DEPUTY ASST SECRETARY LESTER E. EDMOND

FOL REPEAT MANILA 4857 SENT ACTION SECSTATE INFO

VIENTIANE APR 07

QTE

LIMITED OFFICIAL USE MANILA 4857

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 7/7/76

TAGS: EAID, EFIN, LA

SUBJECT: RECONSTRUCTION AND DEVELOPMENT PROGRAMMING
PROJECT (LAOS)

REF: (A) MANILA 2553, (B) TREASURY 75-47, (C) VIENTIANE 1487

SUMMARY: ADB MANAGEMENT PROPOSES TO CONCUR IN GOVT. OF
LAOS PROPOSAL TO CONFINE SCOPE OF SUBJECT TECHNICAL
ASSISTANCE (TA) PROJECT, APPROVED MARCH 13, 1975, TO STUDY
OF VIENTIANE PLAN WHILE RETAINING ORIGINAL OBJECTIVES.
NAC GUIDANCE IS REQUESTED. END SUMMARY.

1. ON MARCH 13, 1975, ADB BOARD OF DIRECTORS APPROVED
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PROPOSAL FOR BANK TO ACT AS EXECUTING AGENCY FOR UNDP IN

IMPLEMENTATION OF SUBJECT TA PROJECT IN LAOS, WITH \$320,000 FOREX COST TO BE FINANCED BY UNDP AND LOCAL CURRENCY COST TO BE FORNE BY GOVERNMENT. AGREED PROJECT WAS TO HAVE PREPARED INTEGRATED TWO-YEAR NATIONAL PROGRAM OF PRIORITY DEVELOPMENT PROJECT PROPOSALS FOR POSSIBLE FINANCING BY DONOR GOVERNMENTS AND INTERNATIONAL AGENCIES. TA WAS ALSO TO HAVE: (A) PREPARED AND REVIEWED INVENTORY OF PROJCT MATERIALS; (B) REVIEWED, TO EXTENT POSSIBLE, GOVERNMENT'S POLICIES AND PROGRAMS AND PROCEDURES FOR PROJECT FORMULATION, PREPARATION, APPROVAL AND IMPLEMENTATION; (C) DETERMINED TOTAL FINANCIAL REQUIREMENTS OF TWO-YEAR PROGRAM OF PROJECTS; AND (D) FORMULATED PROPOSALS FOR LONG-TERM TA IN IMPLEMENTATION OF SECOND FIVE-YEAR DEVELOPMENT PLAN, PARTICULARLY IN RELATION TO PROJECT PREPARATION.

2. ORIGINALLY, PROJECT COMPLETION WAS ENVISAGED BY OCTOBER 1975. HOWEVER, PRESENT 18-MONTH DELAY IS DUE TO (A) GOVERNMENT REQUEST FOR CHANGE IN SCOPE DUE TO CHANGES IN 1975 IN GOVERNMENT PRIORITIES, POLICIES AND PERSONNEL; AND (B) NEED TO POSTPONE PROJECT UNTIL AFTER COMING RAINY SEASON. WHILE DELAY IN IMPLEMENTATION WILL NOT INCREASE TOTAL COST, CHANGE IN SCOPE WILL REDUCE NUMBER OF MAN-MONTHS OF CONSULTANT SERVICES FROM ORIGINAL 36 MAN-MONTHS TO 30.5 MAN-MONTHS. ALSO, ORIGINAL INTENTION OF PREPARING INTEGRATED TWO-YEAR PROGRAM OF PRIORITY DEVELOPMENT PROJECT PROPOSALS HAS BEEN AMENDED TO A SHORT-TERM PROGRAM OF SUCH PROPOSALS IN LINE WITH GOVERNMENT'S MODIFIED PLANNING PROCESS.

3. GOVERNMENT NOW WISHES TO RETAIN ORIGINAL OBJECTIVES OF TA BUT CONFINE SCOPE AS A FIRST PHASE TO VIENTIANE PLAIN BECAUSE: (A) VIENTIANE PLAIN IS REGARDED AS ECONOMIC HEARTLAND OF LAOS AND ITS IMMEDIATE REHABILITATION AND DEVELOPMENT IS ACCORDED HIGHEST PRIORITY; (B) GOVERNMENT IS ACTIVELY ENGAGED IN ADMINISTRATIVE REORGANIZATION OF OTHER REGIONS AND AS YET COULD NOT ARRANGE FOR TRAVEL TO OR WITHIN THEM; AND (C) REVOLUTIONARY COMMITTEES (ONE OF WHOSE FUNCTIONS IS TO RECOMMEND DEVELOPMENT PROJECTS TO LIMITED OFFICIAL USE

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GOVERNMENT WITHIN AREA OF THEIR JURISDICTION) ARE IN PROCESS OF BEING ESTABLISHED THROUGHOUT COUNTRY BUT ARE AT THEIR MOST DEVELOPED STAGE WITHIN VIENTIANE PLAIN. HOWEVER, PROPOSED LIMITATION OF TA PROJECT DOES NOT PRECLUDE POSSIBILITY OF GOVERNMENT SEEKING BANK ASSISTANCE FOR OTHER PROJECTS OUTSIDE VIENTIANE PLAIN, AND GOVERNMENT HAS ALREADY MADE TENTATIVE INQUIRIES OF BANK ABOUT SUCH PROJECTS.

4. JAPANESE CONSULTING FIRM WAS APPOINTED JULY 11, 1975 AND WAS SCHEDULED TO COMMENCE SERVICES ON AUGUST 1. HOWEVER, WHEN GOVERNMENT REQUEST FOR CHANGE IN PROJECT SCOPE DELAYED COMMENCEMENT OF SERVICES, CONTRACT WAS EXTENDED TO NOVEMBER 1975. CONTRACT THEN LAPSED PENDING FURTHER DISCUSSION BETWEEN GOVERNMENT, BANK AND UNDP ON CHANGE OF SCOPE. NEW CONTRACT WAS SIGNED ON MARCH 22, 1976 AND CONSULTANT SERVICES ARE NOW SCHEDULED TO COMMENCE LAST WEEK OF SEPTEMBER 1976. AND TO BE COMPLETED IN MARCH 1977. UNDP HAS AGREED THAT \$295,000 BE USED TO FINANCE REDUCED NUMBER OF MAN-MONTHS OF CONSULTANT SERVICES AND THAT REMAINING \$25,000 (OF ORIGINAL \$320,000) BE USED TO FINANCE WHAT WAS PREVIOUSLY GOVERNMENT'S CASH CONTRIBUTION.

5. SINCE ORIGINAL PROJECT FORMULATION AND ITS APPROVAL BY BOARD IN MARCH 1975, SEVERAL BANK MISSIONS HAVE ON DIFFERENT OCCASIONS RECONFIRMED PRIORITY ACCORDED TO PROJECT BY GOVERNMENT. AS RESULT OF SUBSTANTIAL DISCUSSIONS IN NOVEMBER 1975 AND EARLY FEBRUARY 1976, GOVERNMENT HAS ASSURED BANK OF ITS WILLINGNESS TO PROVIDE FULL COOPERATION IN PROJECT IMPLEMENTATION. WHILE RECOGNIZING THAT SOME PROBLEMS IN IMPLEMENTATION MAY ARISE WHICH COULD RESULT IN OUTCOME LESS SUCCESSFUL THAN MIGHT OTHERWISE BE DESIRED, IT IS FELT BANK SHOULD PROCEED WITH ASSISTING GOVERNMENT IN IMPLEMENTING PROJECT WITH FULL INVOLVEMENT OF UNDP, FOR WHICH BANK IS ACTING AS EXECUTING AGENCY.

6. IN LIGHT OF FOREGOING, BANK MANAGEMENT PROPOSES THAT BOARD OF DIRECTORS APPROVE GOVERNMENT'S REQUEST TO LIMIT SCOPE OF TA TO STUDY OF VIENTIANE PLAIN. IF NO LIMITED OFFICIAL USE

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OBJECTION TO, OR REQUEST FOR DISCUSSION OF, RECOMMENATION IS MADE BY ANY BOARD MEMBER TO ADB SECRETARY BY APRIL 12, RECOMMENDATIONS WILL BE DEEMED TO HAVE BEEN APPROVED. NAC GUIDANCE IS REQUESTED.

7. ADB DOC. R39-76 ON ABOVE SUBJECT WAS POUCHED
APRIL 7.
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